

The background of the slide is a photograph of a person using a high-pressure spray wand to treat a large, leafy tree. The person is positioned in the center-left, and a fine mist of spray is directed towards the foliage. The image is somewhat dark and grainy. At the very top of the slide is a solid dark green horizontal bar.

Accessing Invasive Plant Problems during Real Estate Transactions

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Opportunities

- Residential termite inspections: What can we learn as natural resource managers?
- Who is impacted by invasive plant problems?
- Situation in the Eastern US
- How can we build better access to invasive plant control problems through real estate due diligence?
- Examples and Strategies

Professional services during residential real estate transactions

- Residential termite inspections
 - Wood Infestation Reports
 - State regulated
 - Protects lenders and buyers of homes from damaging insects and organisms
 - A very important service offering for pest control operators
 - Real estate transactions drive a lot of termite treatments
- Keep this offering in mind as we review examples of invasives and rural real estate

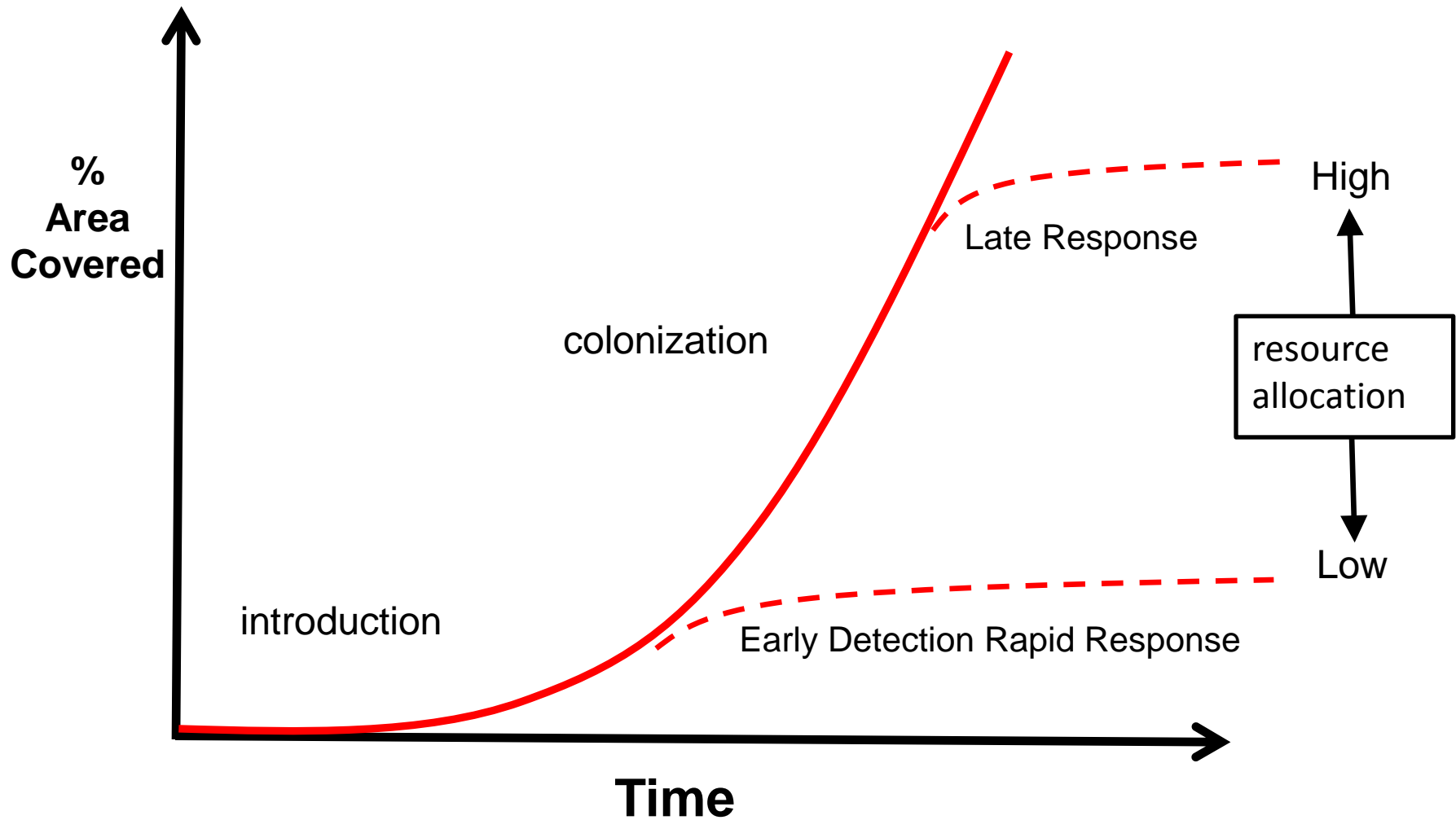
Who Is Impacted By Invasive Plant Problems?

- Exploration of Ecosystem Service Values
 - Ecosystem Services are the flow of values that are generated by land for the landowner, as well as communities and economies
 - Invasive plants can be expensive for landowners, but also for society.
 - By quantifying the long-term effects of an invasive plant, we can better identify the beneficiaries of control.

Who Is Impacted By Invasive Plant Problems?

- Exploration of Ecosystem Service Values
 - Many ecosystem services are being quantified
 - Wetlands, water quantity, water quality
 - Where do invasive plants fit in?
 - Who is impacted?
 - Who benefits from control activities?
 - Real estate professionals need to understand these values

Non-native Invasive Species



Situation in Eastern US

- Over 80% of land is privately owned
- Invasive plant problems continue to grow
- Most invasive plant problems are viewed as fixtures to land, not outcomes of management
- Very few local-level regulatory tools exist to require or incentivize invasive plant management

Situation in Eastern US

- Fragmentation of private lands is a major factor for invasive plant spread.
- The only certainty about private lands in the East is that they will be sold/transferred over time.
- Land transfers can be an opportunity to access invasives.

Situation in Eastern US

- Real estate trends in rural land
 - Timber companies have exited land business
 - Timber Investment Management Organizations (TIMOs) have become a major holder of land
 - Managed for institutional investors
 - Timber management as driver for investment returns
 - Highest and Best Use as driver for investment returns

How Can We Build Better Access To Invasive Plant Problems?

- Exploration of Real Estate Values
 - Private lands will continue to transfer
 - Opportunities for treatment could increase if real estate professionals were aware of the costs associated with invasive plants
 - Rural appraisers
 - Bankers
 - Landscape architects/planners
 - Environmental Consultants (Phase I Assessments)
 - Investment landowners

How Can We Build Better Access To Invasive Plant Problems?

- Examples of real estate value loss due to invasives
 - In the west, leafy spurge was found to reduce range individual property values by as much as 83% (Weiser, 1997)
 - In aquatics, hydrilla infestations = lower lake property values
 - With kudzu on rural forest lands, control costs can exceed net present value of land

How Can We Build Better Access To Invasive Plant Problems?

- When can invasives be quantified as a real estate problem?
 - The invasive plant needs to have the potential to cause instrumental damage to property
 - utility, management, aesthetics
 - Kudzu: YES
 - Cogongrass: YES
 - Chinese Privet: YES
 - Microstegium: ???

- Real Estate Values

- Example: Appraisal and Environmental Issues

- A client is purchasing a 100 acre forested property as a long-term investment.
 - 20 acres has kudzu
 - The client is under contract to purchase for \$3000/acre, or \$300,000, with contingencies.
 - An appraiser is contracted by the client to determine the value of the property.
 - Based on the comparable land sales, the tract is worth \$300,000.
 - None of the comparable sales had kudzu patches



- Real Estate Values

- Example: Appraisal and Environmental Issues

- Based on the infestation, it will likely cost a total of \$1500/acre over 4 years to control the kudzu.
 - The rural appraiser does not account for the kudzu losses or costs in his appraisal.



- Real Estate Values

- Example: Appraisal and Environmental Issues

- If the appraiser was aware of the kudzu costs and lost values:
 - He could call a professional to get an estimate on the cost of treatment.
 - He could make the buyer aware of the problem.
 - If the contract allows, the buyer could respond with an adjusted price (in this case, \$270,000), or ask the seller to pay for the treatment.



- Real Estate Values

- Example: Appraisal and Environmental Issues (cont.)

- The buyer also contracted with an environmental consultant to perform a Phase I Environmental Assessment.
 - The consultant visually inspects the property for contaminants and environmental issues.
 - She has a difficult time accessing the entire kudzu patch.



- Real Estate Values

- Example: Appraisal and Environmental Issues (cont.)

- What do we know about kudzu patches?
 - Commonly growing on ravines
 - Historically, ravines were common dumping sites for refuse, old equipment, etc.
 - What is under the kudzu patch?
 - With knowledge of the costs and issues associated with kudzu, could the consultant provide value-added services and information to the buyer?



- Real Estate Values

- Example: Forest Investment Owners

- Cogongrass
 - Already severely impacted the Gulf states.
 - Largest existing invasive plant threat
 - EDRR is in full swing to combat new spot infestations (SC State surveys every May)
 - What is it about cogongrass that makes it such a large threat?
 - The Southeast represents the largest timber supply in the US (60% of our national supply).
 - Cogongrass threatens the most important land use in the region.
 - Forests and cogongrass are not compatible.



- Real Estate Values
 - Example: Forest Investment Owners
 - South Carolina situation
 - Many large investment tracts in Hampton and Allendale.
 - Many of the landowners have tracts in cogongrass infested areas (they should be aware of the problem).
 - Many forestry contractors that work these properties may be overlapping in cogongrass infested areas.
 - Many hunt club leases in Hampton/Allendale go to Florida hunting groups.
 - There is a value proposition to sell to investment owners concerning cogongrass risk and the benefits of active management.



- Real Estate Values

- Example: Forest Investment Owners

- Are landowners aware of the increased management costs that they face?
 - Are landowners aware of the potential for decreased real estate values?
 - How much are they willing to invest to keep cogongrass from infesting their property?
 - Matching funding for EDRR
 - Matching funding for eradication



Strategies

- Some strategies to access invasives through real estate due diligence:
 - Develop models that estimate the spread, control costs and damage of specific invasives on individual properties for use by appraisers
 - Engage the banking community to make sure that they are aware of the negative impacts, especially in high risk areas. Often, lenders dictate the due diligence process.

Strategies

- Some strategies to access invasives through real estate due diligence:
 - Educate the land investment community
 - Work with invasive plant control contractors to help them build their presence with real estate professionals



Questions?

Thank You

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